

City of Fraser
Financial Statements
June 30, 2022



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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Independent Auditors' Report

Honorable Mayor and City Council
City of Fraser
Fraser, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fraser, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fraser as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Fraser Public Library, which represents 100 percent of the assets, net position, and revenues of the discretely presented component unit as of June 30, 2022. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for the Fraser Public Library is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Fraser, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Fraser's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness the City of Fraser's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Fraser's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and the pension and OPEB schedules, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an

opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fraser's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and, other than the prior year information, was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit and the report of the other auditors, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Auburn Hills, MI
August 3, 2023

City of Fraser

Management's Discussion and Analysis

June 30, 2022

As management for the City of Fraser, Michigan (the "City" or "government"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the basic financial statements.

Financial Highlights

- The assets and deferred outflow of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$5,865,177 (excess net position).
- The City's total net position increased by \$9,919,561 during the year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$19,564,608. Approximately \$8,300,000, is available for spending at the government's discretion (unassigned fund balance).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving

rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave and long-term debt obligations).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, health and welfare, recreation and culture, and community and economic development. The business-type activities of the City include water and sewer as well as senior housing.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the Fraser Public Library (the "Library"), a legally separate entity for which the City is financially accountable. Financial information for the *component unit* is reported separately from the financial information presented for the primary government itself. The Library has a separately issued audit report. More information on the Library can be found in note 1 of the notes to the financial statements.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government wide financial statements. However, unlike the government wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing

City of Fraser
Management's Discussion and Analysis
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so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General and special revenue funds. A budgetary comparison schedule has been provided herein to demonstrate compliance with its budget.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the water and sewer and the senior housing activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses *internal service funds* to account for its medical self-insurance and motor pool activities. The internal service funds have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund which is considered to be a major fund of the City. Conversely, nonmajor enterprise funds and internal service funds are combined into single, aggregate presentations in the proprietary fund financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents the combining statements referred to earlier in connection with nonmajor and internal service funds, budgetary comparison, and pension / OPEB schedules.

Government-wide Financial Analysis

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. In the case of the City, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$5,865,177 at the close of the most recent fiscal year.

The largest portion of the City's net position, \$32,585,163 reflects its investment in capital assets (such as land, construction in progress, buildings and improvements, vehicles, equipment and machinery, furniture and fixtures, systems, and infrastructure), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$3,825,391 represents resources that are subject to external restrictions on how they may be used. The remaining balance, unrestricted net position, is a deficit of (\$30,545,377). Most of this deficit can be attributed to the noncurrent liabilities related to the City's pension and OPEB benefit liabilities.

At fiscal year-end Cash and cash equivalents in the Governmental Activities were reported at \$21,805,281 and in the Business-type Activities at \$9,883,497 for a Primary Government Total of \$31,688,778.

City of Fraser
Management's Discussion and Analysis
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The changes in the City's net position is discussed in the following sections for governmental activities and business-type activities.

Governmental activities. Governmental activities increased the City's net position by \$7,013,688. The change in net position is actually a decrease of 13% from prior year, resulting from the following significant items:

- Property taxes decreased from the previous year from \$14,348,782 to \$13,568,549. This reduction can be attributed to decreases in the operating, ALS, street debt, and public safety millages.
- Charges for services decreased by \$729,099 in the current year. State –shared revenue increased by \$625,303.
- General government expenses decreased by \$263,107 and public safety expenses decreased by \$2,264,153, while public works expenses increased by \$905,764. The areas primarily increased as a result of changes to the net pension liability, net OPEB liability, and their related deferred items.

Business-type activities. Business-type activities increased the City's net position by \$2,905,873. The significant changes amongst the enterprise funds are discussed in the proprietary funds' paragraphs in the following section.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$19,564,608. Of this total \$8,297,067 constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is *nonspendable* (\$25,440), *restricted* (\$9,787,895) or *assigned* (\$1,454,206) to indicate the degree to which those monies are available for the identified purposes.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance in the general fund was \$8,297,067, while the total fund balance totaled \$9,773,419. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 56% of total general fund expenditures, while total fund balance represents approximately 66% of that same amount.

Proprietary funds. The City's proprietary funds provide the same type of information found in the business-type activities in the government-wide financial statements, but in more detail.

The total net position for the Water and Sewer Fund for the year ended June 30, 2022 was \$14,902,343. The total net position is the aggregate of the net investment in capital assets of \$14,475,815 restricted net position of \$88,948 and unrestricted net position of \$337,580.

The total net position in the Water and Sewer Fund increased by \$3,150,610 for the year ended June 30, 2022. Customer usage increased from prior year by \$135,895 in charges for services. Total operating expenses decreased by \$926,642 primarily because of the differences between expected and actual experiences and changes in actuarial assumptions for the City's pension and OPEB plans.

General fund Budgetary Highlights

Original budget compared to final budget. At year-end, budget amendments were made to either increase or decrease various budgeted line-items from their original adopted amounts. Significant amendments to increase the original budget were made to account for additional property tax revenues, intergovernmental revenues, building and grounds expenditure, and public safety expenditures. The significant amendments to decrease the original budget included line items such as charges for services, licenses and permits, fines and forfeitures, finance expenditures, city administration expenditures, building inspections expenditures, and parks and recreation expenditures.

Final budget compared to actual results. The City had no expenditures in excess of the amount appropriated during the year ended June 30, 2022.

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Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2022 amounted to \$32,585,163. This investment in capital assets includes land, improvements, buildings, vehicles, furniture and fixtures, machinery and equipment, and infrastructure. Net capital assets for governmental activities decreased by 4%, while business-type activities increased by 1%.

Long-term debt

As of June 30, 2022, the City had \$20,139,842 in total long-term debt outstanding, which is a decrease of \$1,739,753 compared to the prior year. The total debt is the aggregate of the debt outstanding from both the governmental and business-type activities.

Economic Factors and Future Budgets

Management estimates that a similar level of revenues will be available for appropriation in the general fund in the upcoming budget. Expenditures are expected to change by small amounts compared to 2022. The City continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2023, the City plans again to use current revenues to provide essential services and to maintain the City's financial reserves in line with financial policies. The ongoing costs of providing essential services for the citizens of the City will again need to be monitored in order to improve the financial condition of the City.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Fraser
City Treasurer
33000 Garfield Rd
Fraser, Michigan 48026

**City of Fraser
Management's Discussion and Analysis
June 30, 2022**

City of Fraser's Changes in Net Position

	Governmental Activities			
	<u>2021</u>	<u>2022</u>	<u>Change</u>	<u>Percent Change</u>
Revenue				
Program revenue				
Charges for service	\$ 3,146,873	\$ 1,997,018	\$ (1,149,855)	-37%
Capital grants	1,444,657	1,065,990	(378,667)	100%
General revenue				
Property taxes	14,348,782	13,568,549	(780,233)	-5%
State-shared revenue	1,609,653	2,234,956	625,303	39%
Investment earnings	5,540	11,105	5,565	100%
Other revenue	100,545	152,391	51,846	100%
Total revenue	<u>20,656,050</u>	<u>19,030,009</u>	<u>(1,626,041)</u>	-8%
Expenses				
General government	2,275,609	2,012,502	(263,107)	-12%
Judicial	-	763,048	763,048	
Public safety	5,937,392	3,673,239	(2,264,153)	-38%
Public works	3,492,903	4,398,667	905,764	26%
Health and welfare	-	73,246	73,246	100%
Community and economic development	185,254	503,068	317,814	172%
Recreation and cultural	485,002	590,369	105,367	22%
Other charges	11,114	2,182	(8,932)	-80%
Total expenses	<u>12,387,274</u>	<u>12,016,321</u>	<u>(1,134,001)</u>	-9%
Transfer out	<u>211,792</u>	<u>-</u>	<u>211,792</u>	100%
Change in Net Position	<u>\$ 8,056,984</u>	<u>\$ 7,013,688</u>	<u>\$ (703,832)</u>	-9%

City of Fraser's Changes in Net Position

	Business-type Activities			
	<u>2021</u>	<u>2022</u>	<u>Change</u>	<u>Percent Change</u>
Revenue - Program revenue - Charges for service	\$ 9,668,668	\$ 9,747,228	\$ 78,560	1%
Expenses - Program expenses	7,396,910	6,841,355	(555,555)	-8%
Transfer in	<u>211,792</u>	<u>-</u>	<u>211,792</u>	100%
Change in Net Position	<u>\$ 2,483,550</u>	<u>\$ 2,905,873</u>	<u>\$ 422,323</u>	17%

**City of Fraser
Management's Discussion and Analysis
June 30, 2022**

City of Fraser's Changes in Net Position

	Governmental Activities				Business-type Activities			
	2021	2022	Change	Percent Change	2021	2022	Change	Percent Change
Assets								
Other assets	\$ 20,518,470	\$ 23,255,956	\$ 2,737,486	13%	\$ 10,352,063	\$ 12,010,058	\$ 1,657,995	16%
Capital assets	18,842,605	18,141,491	(701,114)	-4%	35,114,709	33,585,787	(1,528,922)	-4%
Total assets	<u>39,361,075</u>	<u>41,397,447</u>	<u>2,036,372</u>	5%	<u>45,466,772</u>	<u>45,595,845</u>	<u>129,073</u>	0%
Deferred outflows of resources	<u>3,010,349</u>	<u>3,524,718</u>	<u>514,369</u>	17%	<u>411,751</u>	<u>487,783</u>	<u>76,032</u>	18%
Liabilities								
Current liabilities	1,060,633	1,181,073	120,440	11%	940,843	966,213	25,370	3%
Noncurrent liabilities	<u>57,934,402</u>	<u>50,873,886</u>	<u>(7,060,516)</u>	-12%	<u>29,791,315</u>	<u>26,686,380</u>	<u>(3,104,935)</u>	-10%
Total liabilities	<u>58,995,035</u>	<u>52,054,959</u>	<u>(6,940,076)</u>	-12%	<u>30,732,158</u>	<u>27,652,593</u>	<u>(3,079,565)</u>	-10%
Deferred inflows of resources	<u>2,243,011</u>	<u>4,720,140</u>	<u>2,477,129</u>	110%	<u>334,130</u>	<u>334,130</u>	-	0%
Net Position (Deficit)								
Net investment in capital assets	18,782,859	18,109,348	(673,511)	-4%	14,346,647	14,475,815	129,168	1%
Restricted	1,340,553	3,736,443	2,395,890	179%	-	88,948	88,948	100%
Unrestricted	<u>(38,990,034)</u>	<u>(33,698,725)</u>	<u>5,291,309</u>	-14%	<u>465,591</u>	<u>3,153,348</u>	<u>2,687,757</u>	577%
Total net position (deficit)	<u>\$ (18,866,622)</u>	<u>\$ (11,852,934)</u>	<u>\$ 7,013,688</u>	-37%	<u>\$ 14,812,238</u>	<u>\$ 17,718,111</u>	<u>\$ 2,905,873</u>	20%

City of Fraser
Statement of Net Position
June 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 21,805,281	\$ 9,883,497	\$ 31,688,778	\$ 384,445
Restricted cash	-	88,948	88,948	-
Receivables				
Customers	254,260	1,980,749	2,235,009	-
Accrued interest and other	-	-	-	105
Due from other units of government	1,169,936	54,981	1,224,917	28,876
Prepaid items	26,479	1,883	28,362	1,299
Capital assets not being depreciated	5,103,181	930,594	6,033,775	-
Capital assets, net of accumulated depreciation	13,038,310	32,655,193	45,693,503	140,005
Total assets	<u>41,397,447</u>	<u>45,595,845</u>	<u>86,993,292</u>	<u>554,730</u>
Deferred Outflows of Resources				
Deferred amount relating to net pension liability	3,346,815	456,388	3,803,203	-
Deferred amount relating to net OPEB liability	177,903	31,395	209,298	-
Total deferred outflows of resources	<u>3,524,718</u>	<u>487,783</u>	<u>4,012,501</u>	<u>-</u>

See Accompanying Notes to the Financial Statements

City of Fraser
Statement of Net Position
June 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Accounts payable	\$ 818,736	\$ 740,128	\$ 1,558,864	\$ 4,802
Accrued and other liabilities	360,777	226,085	586,862	12,405
Due to fiduciary fund	1,560	-	1,560	-
Due to component unit	9,548	-	9,548	-
Unearned revenue	1,479,085	-	1,479,085	-
Noncurrent liabilities				
Debt due within one year	685,795	1,465,124	2,150,919	-
Debt due in more than one year	236,136	17,662,654	17,898,790	-
Claims payable	90,133	-	90,133	-
Net pension liability	24,380,865	3,324,662	27,705,527	-
Net OPEB liability	23,992,324	4,233,940	28,226,264	-
Total liabilities	<u>52,054,959</u>	<u>27,652,593</u>	<u>79,707,552</u>	<u>17,207</u>
Deferred Inflows of Resources				
Deferred amount relating to net pension liability	2,993,046	408,143	3,401,189	-
Deferred amount relating to net OPEB liability	1,727,094	304,781	2,031,875	-
Total deferred inflows of resources	<u>4,720,140</u>	<u>712,924</u>	<u>5,433,064</u>	<u>-</u>
Net Position				
Net investment in capital assets	18,109,348	14,475,815	32,585,163	140,005
Restricted for				
District court	1,078,867	-	1,078,867	-
Debt service	353,273	-	353,273	-
Capital projects	2,304,303	88,948	2,393,251	-
Unrestricted (deficit)	<u>(33,698,725)</u>	<u>3,153,348</u>	<u>(30,545,377)</u>	<u>397,518</u>
Total net position	<u>\$ (11,852,934)</u>	<u>\$ 17,718,111</u>	<u>\$ 5,865,177</u>	<u>\$ 537,523</u>

See Accompanying Notes to the Financial Statements

City of Fraser
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government			
				Governmental Activities	Business-type Activities	Total	
Primary government							
Governmental activities							
General government	\$ 2,012,502	\$ 962,818	\$ 56,051	\$ (993,633)	\$ -	\$ (993,633)	\$ -
Judicial	763,048	-	-	(763,048)	-	(763,048)	-
Public safety	3,673,239	562,021	231,712	(2,879,506)	-	(2,879,506)	-
Public works	4,398,667	177,715	1,065,990	(3,154,962)	-	(3,154,962)	-
Health and welfare	73,246	-	-	(73,246)	-	(73,246)	-
Community and economic development	503,068	6,701	-	(496,367)	-	(496,367)	-
Recreation and culture	590,369	-	-	(590,369)	-	(590,369)	-
Interest and fiscal charges on long-term debt	2,182	-	-	(2,182)	-	(2,182)	-
Total governmental activities	<u>12,016,321</u>	<u>1,709,255</u>	<u>1,353,753</u>	<u>(8,953,313)</u>	<u>-</u>	<u>(8,953,313)</u>	<u>-</u>
Business-type activities							
Water and Sewer	6,053,880	9,204,490	-	-	3,150,610	3,150,610	-
Senior Housing	787,475	542,738	-	-	(244,737)	(244,737)	-
Total business-type activities	<u>6,841,355</u>	<u>9,747,228</u>	<u>-</u>	<u>-</u>	<u>2,905,873</u>	<u>2,905,873</u>	<u>-</u>
Total primary government	<u>\$ 18,857,676</u>	<u>\$ 11,456,483</u>	<u>\$ 1,353,753</u>	<u>(8,953,313)</u>	<u>2,905,873</u>	<u>(6,047,440)</u>	<u>-</u>
Component unit							
Fraser Public Library	\$ 568,300	\$ 8,471	\$ 123,058				(436,771)
General revenues							
Property taxes				13,568,549	-	13,568,549	470,792
Unrestricted state-shared revenue				2,234,956	-	2,234,956	-
Unrestricted investment earnings				11,105	-	11,105	-
Miscellaneous				152,391	-	152,391	28,619
Total general revenues				<u>15,967,001</u>	<u>-</u>	<u>15,967,001</u>	<u>499,411</u>
Change in net position				7,013,688	2,905,873	9,919,561	62,640
Net position - beginning of year				<u>(18,866,622)</u>	<u>14,812,238</u>	<u>(4,054,384)</u>	<u>474,883</u>
Net position - end of year				<u>\$ (11,852,934)</u>	<u>\$ 17,718,111</u>	<u>\$ 5,865,177</u>	<u>\$ 537,523</u>

See Accompanying Notes to the Financial Statements

**City of Fraser
Governmental Funds
Balance Sheet
June 30, 2022**

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 11,372,579	\$ 9,960,857	\$ 21,333,436
Receivables	253,030	1,230	254,260
Due from other units of government	684,670	485,266	1,169,936
Due from other funds	104,898	9,281	114,179
Prepaid items	22,146	3,294	25,440
Total assets	\$ 12,437,323	\$ 10,459,928	\$ 22,897,251

See Accompanying Notes to the Financial Statements

**City of Fraser
Governmental Funds
Balance Sheet
June 30, 2022**

	General	Nonmajor Governmental Funds	Total Governmental Funds
Liabilities			
Accounts payable	\$ 625,174	\$ 176,792	\$ 801,966
Accrued and other liabilities	352,492	7,468	359,960
Due to other funds	694	8,587	9,281
Due to fiduciary fund	1,560	-	1,560
Due to component unit	9,548	-	9,548
Unearned revenue	1,479,085	-	1,479,085
Total liabilities	<u>2,468,553</u>	<u>192,847</u>	<u>2,661,400</u>
Deferred Inflows of Resources			
Total deferred inflows of resources	<u>195,351</u>	<u>475,892</u>	<u>671,243</u>
Fund Balances			
Non-spendable			
Prepaid items	22,146	3,294	25,440
Restricted for			
Public works	-	2,855,918	2,855,918
Public safety	-	3,195,534	3,195,534
Judicial	-	1,078,867	1,078,867
Debt service	-	353,273	353,273
Capital projects	-	2,304,303	2,304,303
Assigned for future year expenditures	1,454,206	-	1,454,206
Unassigned	8,297,067	-	8,297,067
Total fund balances	<u>9,773,419</u>	<u>9,791,189</u>	<u>19,564,608</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 12,437,323</u>	<u>\$ 10,459,928</u>	<u>\$ 22,897,251</u>

See Accompanying Notes to the Financial Statements

City of Fraser
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2022

Total fund balances for governmental funds	\$ 19,564,608
Total net position for governmental activities in the statement of net position is different because:	
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds.	12,488,412
Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds.	5,103,181
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Compensated absences	(889,788)
Deferred outflows (inflows) of resources.	
Deferred inflows of resources resulting from net pension liability	(2,993,046)
Deferred inflows of resources resulting from net OPEB liability	(1,727,094)
Deferred outflows of resources resulting from net pension liability	3,346,815
Deferred outflows of resources resulting from net OPEB liability	177,903
Deferred inflows of resources resulting from other revenues	68,278
Deferred inflows of resources resulting from property taxes	127,073
Deferred inflows of resources resulting from state shared revenues	475,892
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	
Net pension liability	(24,380,865)
Net OPEB liability	(23,992,324)
Internal service funds are included as part of governmental activities.	<u>778,021</u>
Net position of governmental activities	<u>\$ (11,852,934)</u>

See Accompanying Notes to the Financial Statements

City of Fraser
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2022

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 11,092,934	\$ 564,566	\$ 11,657,500
Licenses and permits	602,935	-	602,935
Federal grants	231,712	-	231,712
State-shared revenue	1,759,064	-	1,759,064
Other state grants	1,604,987	1,065,990	2,670,977
Local contributions	173,794	44,620	218,414
Charges for services	313,136	352,164	665,300
Fines and forfeitures	383,210	6,158	389,368
Interest income	10,020	1,115	11,135
Other revenue	152,391	-	152,391
	<u>16,324,183</u>	<u>2,034,613</u>	<u>18,358,796</u>
Total revenues			

See Accompanying Notes to the Financial Statements

City of Fraser
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2022

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Expenditures			
Current			
General government	\$ 1,755,414	\$ -	\$ 1,755,414
Judicial	634,431	-	634,431
Public safety	6,662,928	557,889	7,220,817
Public works	2,175,582	1,126,819	3,302,401
Community and economic development	418,537	-	418,537
Recreation and culture	345,063	-	345,063
Other functions	2,859,375	-	2,859,375
Capital outlay	<u>-</u>	<u>679,197</u>	<u>679,197</u>
Total expenditures	<u>14,912,230</u>	<u>2,363,905</u>	<u>17,276,135</u>
Excess (deficiencies) of revenues over expenditures	<u>1,411,953</u>	<u>(329,292)</u>	<u>1,082,661</u>
Other financing sources (uses)			
Transfers in	-	2,983,500	2,983,500
Transfers out	<u>(2,983,500)</u>	<u>-</u>	<u>(2,983,500)</u>
Total other financing sources and (uses)	<u>(2,983,500)</u>	<u>2,983,500</u>	<u>-</u>
Net change in fund balances	(1,571,547)	2,654,208	1,082,661
Fund balances - beginning of year	<u>11,344,966</u>	<u>7,136,981</u>	<u>18,481,947</u>
Fund balances - end of year	<u>\$ 9,773,419</u>	<u>\$ 9,791,189</u>	<u>\$ 19,564,608</u>

See Accompanying Notes to the Financial Statements

City of Fraser
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2022

Net change in fund balances - total governmental funds	\$ 1,082,661
 Total change in net position reported for governmental activities in the statement of activities is different because:	
 Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(1,348,864)
Capital outlay	725,499
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
State-shared revenue	475,892
Other revenues	68,278
Property taxes	127,073
 Expenses are recorded when incurred in the statement of activities.	
Compensated absences	74,391
 The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	1,103,040
Net change in the deferred inflow of resources related to the net pension liability	(1,454,777)
Net change in the deferred outflow of resources related to the net pension liability	367,593
 The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and pension expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in net OPEB liability	7,361,742
Net change in the deferred inflow of resources related to the net OPEB liability	(1,022,352)
Net change in the deferred outflow of resources related to the net OPEB liability	146,776
 Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	
Repayments of long-term debt	12,418
Internal service funds are also included as governmental activities	(705,682)
Change in net position of governmental activities	\$ 7,013,688

See Accompanying Notes to the Financial Statements

City of Fraser
Proprietary Funds
Statement of Net Position
June 30, 2022

	Enterprise Funds			Internal Service Funds
	Water and Sewer Fund	Nonmajor Senior Housing	Total	
Assets				
Current assets				
Cash and cash equivalents	\$ 9,520,013	\$ 363,484	\$ 9,883,497	\$ 471,845
Restricted cash	88,948	-	88,948	-
Receivables				
Customers	1,980,749	-	1,980,749	-
Due from other units of government	54,981	-	54,981	-
Prepaid items	1,883	-	1,883	1,039
Total current assets	11,646,574	363,484	12,010,058	472,884
Noncurrent assets				
Capital assets, net of accumulated depreciation	30,843,369	1,811,824	32,655,193	549,898
Capital assets not being depreciated	105,594	825,000	930,594	-
Total noncurrent assets	30,948,963	2,636,824	33,585,787	549,898
Total assets	42,595,537	3,000,308	45,595,845	1,022,782
Deferred Outflows of Resources				
Deferred amount relating to net pension liability	456,388	-	456,388	-
Deferred amount relating to net OPEB liability	31,395	-	31,395	-
Total deferred outflows of resources	487,783	-	487,783	-

See Accompanying Notes to the Financial Statements

City of Fraser
Proprietary Funds
Statement of Net Position
June 30, 2022

	Enterprise Funds			Internal Service Funds
	Water and Sewer Fund	Nonmajor Senior Housing	Total	
Liabilities				
Current liabilities				
Accounts payable	\$ 644,684	\$ 95,444	\$ 740,128	\$ 16,770
Accrued and other liabilities	117,171	88,914	206,085	817
Due to other funds	-	-	-	104,898
Current portion of noncurrent liabilities	<u>1,464,942</u>	<u>182</u>	<u>1,465,124</u>	<u>15,184</u>
Total current liabilities	<u>2,226,797</u>	<u>184,540</u>	<u>2,411,337</u>	<u>137,669</u>
Noncurrent liabilities				
Current liabilities payable from restricted assets				
Customer deposits payable	20,000	-	20,000	-
Net pension liability	3,324,662	-	3,324,662	-
Net OPEB liability	4,233,940	-	4,233,940	-
Claims payable	-	-	-	90,133
Long-term debt net of current portion	<u>17,662,654</u>	<u>-</u>	<u>17,662,654</u>	<u>16,959</u>
Total noncurrent liabilities	<u>25,241,256</u>	<u>-</u>	<u>25,241,256</u>	<u>107,092</u>
Total liabilities	<u>27,468,053</u>	<u>184,540</u>	<u>27,652,593</u>	<u>244,761</u>
Deferred Inflows of Resources				
Deferred amount relating to net pension liability	408,143	-	408,143	-
Deferred amount relating to net OPEB liability	<u>304,781</u>	<u>-</u>	<u>304,781</u>	<u>-</u>
Total deferred inflows of resources	<u>712,924</u>	<u>-</u>	<u>712,924</u>	<u>-</u>
Net Position				
Net investment in capital assets	14,475,815	-	14,475,815	549,898
Restricted for capital replacement	88,948	-	88,948	-
Unrestricted	<u>337,580</u>	<u>2,815,768</u>	<u>3,153,348</u>	<u>228,123</u>
Total net position	<u>\$ 14,902,343</u>	<u>\$ 2,815,768</u>	<u>\$ 17,718,111</u>	<u>\$ 778,021</u>

See Accompanying Notes to the Financial Statements

City of Fraser
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2022

	Enterprise Funds			Internal Service Funds
	Water and Sewer Fund	Nonmajor Senior Housing	Total	
Operating revenue				
Customer fees	\$ 9,196,685	\$ -	\$ 9,196,685	\$ -
Billings to other funds	-	-	-	514,600
Fines and forfeitures	-	440	440	-
Rental income	-	542,298	542,298	-
Other revenue	-	-	-	893
Total operating revenue	<u>9,196,685</u>	<u>542,738</u>	<u>9,739,423</u>	<u>515,493</u>
Operating expenses				
Personnel services	(766,030)	74,636	(691,394)	1,536
Supplies	114,919	14,854	129,773	118,314
Contractual services	494,262	53,239	547,501	132,645
Utilities	3,889,644	65,379	3,955,023	170,863
Repairs and maintenance	25,160	484,043	509,203	-
Other expenses	4,907	-	4,907	-
Claims paid	-	-	-	717,856
Depreciation	1,678,304	95,324	1,773,628	77,749
Total operating expenses	<u>5,441,166</u>	<u>787,475</u>	<u>6,228,641</u>	<u>1,218,963</u>
Operating income (loss)	<u>3,755,519</u>	<u>(244,737)</u>	<u>3,510,782</u>	<u>(703,470)</u>
Nonoperating revenue (expenses)				
Property taxes	7,805	-	7,805	-
Interest income	-	-	-	(30)
Interest expense	(612,714)	-	(612,714)	(2,182)
Total nonoperating revenues (expenses)	<u>(604,909)</u>	<u>-</u>	<u>(604,909)</u>	<u>(2,212)</u>
Change in net position	<u>3,150,610</u>	<u>(244,737)</u>	<u>2,905,873</u>	<u>(705,682)</u>
Net position - beginning of year	<u>11,751,733</u>	<u>3,060,505</u>	<u>14,812,238</u>	<u>1,483,703</u>
Net position - end of year	<u>\$ 14,902,343</u>	<u>\$ 2,815,768</u>	<u>\$ 17,718,111</u>	<u>\$ 778,021</u>

See Accompanying Notes to the Financial Statements

City of Fraser
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2022

	Enterprise Funds			Internal Service Funds
	Water and Sewer	Nonmajor Senior Housing	Total	
Cash flows from operating activities				
Receipts from customers	\$ 9,109,597	\$ 543,938	\$ 9,653,535	\$ 515,493
Receipts from (payments to) other funds	-	(523,778)	(523,778)	17,627
Payments to suppliers	(4,969,644)	(74,454)	(5,044,098)	(1,031,391)
Payments to employees	-	-	-	(1,536)
Net cash provided (used) by operating activities	<u>4,139,953</u>	<u>(54,294)</u>	<u>4,085,659</u>	<u>(499,807)</u>
Cash flows from noncapital financing activities				
Property taxes	<u>7,805</u>	<u>-</u>	<u>7,805</u>	<u>-</u>
Cash flows from capital and related financing activities				
Purchases/construction of capital assets	(244,706)	-	(244,706)	-
Principal and interest paid on long-term debt	<u>(2,270,804)</u>	<u>-</u>	<u>(2,270,804)</u>	<u>(17,367)</u>
Net cash used by capital and related financing activities	<u>(2,515,510)</u>	<u>-</u>	<u>(2,515,510)</u>	<u>(17,367)</u>
Cash flows from investing activities				
Interest received	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30)</u>
Net increase (decrease) in cash and cash equivalents	1,632,248	(54,294)	1,577,954	(517,204)
Cash and cash equivalents - beginning of year	<u>7,976,713</u>	<u>417,778</u>	<u>8,394,491</u>	<u>989,049</u>
Cash and cash equivalents - end of year	<u>\$ 9,608,961</u>	<u>\$ 363,484</u>	<u>\$ 9,972,445</u>	<u>\$ 471,845</u>

See Accompanying Notes to the Financial Statements

City of Fraser
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2022

	Enterprise Funds			Internal Service Funds
	Water and Sewer	Nonmajor Senior Housing	Total	
Reconciliation to the statement of net position				
Cash and cash equivalents	\$ 9,520,013	\$ 363,484	\$ 9,883,497	\$ 471,845
Restricted cash	88,948	-	88,948	-
Cash and cash equivalents	<u>\$ 9,608,961</u>	<u>\$ 363,484</u>	<u>\$ 9,972,445</u>	<u>\$ 471,845</u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	3,755,519	(244,737)	3,510,782	(703,470)
Adjustments to reconcile operating income to net cash from operating activities				
Depreciation and amortization expense	1,678,304	95,324	1,773,628	77,749
Changes in assets and liabilities				
Receivables (net)	(135,917)	1,200	(134,717)	-
Due from other units of government	45,329	-	45,329	-
Prepaid items	9,347	-	9,347	5,002
Accounts payable	(50,578)	88,655	38,077	(14,644)
Accrued and other liabilities	(21,289)	5,082	(16,207)	13,031
Due to other funds	-	-	-	17,627
Net pension liability and related deferrals	(2,166)	-	(2,166)	-
Net OPEB liability and related deferrals	(1,144,618)	-	(1,144,618)	-
Customer deposits payable	3,500	-	3,500	-
Compensated absences	2,522	182	2,704	-
Net cash provided (used) by operating activities	<u>\$ 4,139,953</u>	<u>\$ (54,294)</u>	<u>\$ 4,085,659</u>	<u>\$ (499,807)</u>

See Accompanying Notes to the Financial Statements

City of Fraser
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2022

	OPEB Trust Fund	Custodial Funds
Assets		
Cash and cash equivalents	\$ -	\$ 417,981
Interest in pooled investments	894,650	-
Total assets	<u>894,650</u>	<u>419,541</u>
Liabilities		
Accrued and other liabilities	-	40,686
Due to other units of government	-	347,708
Total liabilities	<u>-</u>	<u>388,394</u>
Net Position		
Restricted for		
Postemployment benefits other than pension	894,650	-
Other governments	-	31,147
Total net position	<u>\$ 894,650</u>	<u>\$ 31,147</u>

See Accompanying Notes to the Financial Statements

City of Fraser
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2022

	OPEB Trust Fund	Custodial Funds
Additions		
Employer contributions	\$ 207,000	\$ -
Investment earnings (losses)		
Interest, dividends and other	(84,787)	-
Other		
Property tax collections for other governments	-	26,513,519
Total additions	<u>122,213</u>	<u>26,513,519</u>
Deductions		
Administrative expense	1,874	-
Payments of property tax to other governments	-	26,513,519
Total deductions	<u>1,874</u>	<u>26,513,519</u>
Change in net position	120,339	-
Net position - beginning of year	<u>774,311</u>	<u>31,147</u>
Net position - end of year	<u>\$ 894,650</u>	<u>\$ 31,147</u>

See Accompanying Notes to the Financial Statements

City of Fraser
Notes to the Financial Statements
June 30, 2022

Note 1 - Summary of Significant Accounting Policies

Reporting entity

The City of Fraser (the “City”) is governed by an elected seven-member Board. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City’s operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

Blended Component Unit – The City of Fraser Building Authority is governed by a board that is appointed by the City’s governing body. Although it is legally separate from the City, it is reported as part of the Senior Housing Fund because its primary purpose is to finance and construct the City’s senior citizen housing.

Discretely Presented Component Unit – The component unit column in the government-wide financial statements include the financial data of the City’s Public Library. This unit is reported in a separate column to emphasize that it is legally separate from the City. The Fraser Public Library determines its own budget and sets rental rates. Financial statements for the Fraser Public Library may be obtained from the Library at 16330 E 14 Mile Road Fraser, MI 48026.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or one year for expenditure-

City of Fraser
Notes to the Financial Statements
June 30, 2022

driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The Water and Sewer Fund accounts for the activities of the water distribution system and the sewage collection system.

Additionally, the City reports the following:

The Nonmajor Special Revenue Funds account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative requirements.

The Debt Service Funds account for the accumulation of resources for, and payment of governmental activities principal, interest and related costs.

The Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The Nonmajor enterprise fund is used to account for rents charged for the provision of affordable housing for seniors in the City.

Internal Service Funds accounts for vehicle and equipment purchases, maintenance, and employee benefits provided to other departments of the City on a cost reimbursement basis.

OPEB Trust Fund account for the accumulation of resources to be used for benefit payments. The City has a separate postemployment benefits trust fund to accumulate and invest funds to provide for the funding of health care benefits to qualified retired employees of the City and their beneficiaries.

Custodial Funds account for property tax and other deposits collected on behalf of other units and individuals and district court activities.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund, senior housing fund, and the internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for water and sewer fund, senior housing fund, and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, liabilities, and net position or fund balances

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of a lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown net of an allowance for uncollectible amounts, as applicable. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2021 taxable valuation of the City totaled \$490,629,662, on which ad valorem taxes consisted of the following, exclusive of any Michigan Tax Tribunal or Board of Review adjustments:

	Millage	Amount of Levy
Operating	18.0335	\$ 8,880,979
Refuse	1.4000	690,121
Ambulance	0.9586	472,578
Public Safety	3.0000	1,373,940

Prepaid items – Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the City follows the purchase method, and they therefore are expensed when paid in both government-wide and fund financial statements.

Restricted assets – Certain revenue bonds of the Enterprise Funds require amounts to be set aside for a bond reserve. These amounts have been classified as restricted cash.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

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The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated acquisition value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 to 50 years
Land improvements	15 years
Vehicles	5 to 20 years
Machinery and equipment	5 to 20 years
Library collection	7 years
County road improvements	5 to 20 years
Roads and sidewalks	20 to 30 years
Water and sewer system	25 to 30 years
Furniture and fixtures	5 to 15 years

Deferred outflows of resources – A deferred outflow of resources is a consumption of net position by the City that is applicable to a future reporting period. The City may report deferred outflows of resources as a result of pension and OPEB earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liability are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan. The City also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce net pension liability in the following year.

Compensated absences – It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS’ fiduciary net position have been determined on the same basis as they are reported to MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits (OPEB) – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the City. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported net asset value.

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Deferred inflows of resources – A deferred inflow of resources is an acquisition of net position by the City that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. The City reports deferred inflows of resources as a result of pension and OPEB earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liability are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan.

Fund Balances – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – assets that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts constrained on use imposed by the City's highest level of decision-making, its City Council. A fund balance commitment may be established, modified, or rescinded by a resolution of the City Council.

Assigned – amounts intended to be used for specific purposes, as determined by the Council. The Council has granted the City Manager the authority to assign funds. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the City's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Adoption of New Accounting Standards

Statement No. 87, *Leases* increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost

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incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement.

Statement No. 92, *Omnibus 2020* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: (1) The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports (2) Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. (3) The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits. (4) The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements. (5) Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition. (6) Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers. (7) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. (8) Terminology used to refer to derivative instruments.

Statement No. 99, *2022 Omnibus* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

Upcoming Accounting and Reporting Changes

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement is effective for the year ending June 30, 2023.

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Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. This statement is effective for the year ending June 30, 2023.

Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections. This statement is effective for the year ending June 30, 2024.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the year ending June 30, 2025.

The City is evaluating the impact that the above GASB statements will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary information

The General and Special Revenue Fund budgets shown as required and other supplementary information were prepared on the modified accrual basis. The City prepares separate budgets for the General Fund and the Garbage and Rubbish Collection Fund. For financial statement purposes and in accordance with accounting principles generally accepted in the United States of America, the two funds are combined. Annual appropriated budgets are adopted for all required governmental fund types. The City employs the following procedures in establishing the budgetary data reflected in the financial statements:

1. The City requires the City Manager to submit an estimate of revenues and anticipated expenditures for the succeeding fiscal year on or before April 15 of each year. The City Manager is then authorized to assign and transfer budget amounts within each fund to the extent that the net total fund appropriation (which the City defines as gross authorized expenditures less related revenues that are specifically designated to fund those activities) is not exceeded. City Council approval is required for any budgetary changes that result in an increase to net appropriations.
2. A Public Hearing is conducted to obtain taxpayers' comments in May.
3. At the May Council meeting, the budget is legally enacted through passage of a resolution.
4. The budget is legally adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Funds; however, they are maintained at the account level for control purposes.

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5. The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at June 30 are not carried forward to the following fiscal year.

6. Budgeted amounts are reported as originally adopted or amended by the City Council during the year. Individual amendments were appropriately approved by the City Council as required.

Excess of expenditures over appropriations

The City had expenditures exceeding appropriations at the activity level of the following:

	<u>Appropriations</u>	<u>Actual</u>	<u>Budget Variance</u>
General Fund			
Public safety			
Civil defense	\$ -	\$ 1,049	\$ 1,049
Public works			
Street lighting	217,514	243,634	26,120
Recreation and culture			
Historical commission	11,098	39,031	27,933

Fund Deficits

The City has an accumulated fund balance deficit in the Self Insurance Fund in the amount of \$207,701 as of June 30, 2022.

Note 3 - Deposits and Investments

At year end the City's deposits and investments were reported in the financial statements in the following categories:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Restricted Cash</u>	<u>Total</u>
Governmental activities	\$ 21,805,281	\$ -	\$ -	\$ 21,805,281
Business-type activities	9,883,497	-	88,948	9,972,445
Total	<u>31,688,778</u>	<u>-</u>	<u>88,948</u>	<u>31,777,726</u>
Fiduciary funds	417,981	894,650	-	1,312,631
Component unit	384,445	-	-	384,445
Total	<u>\$ 32,491,204</u>	<u>\$ 894,650</u>	<u>\$ 88,948</u>	<u>\$ 33,474,802</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>	<u>Total</u>
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 28,769,863	\$ 417,981	\$ 384,445	\$ 29,572,289
Investments in securities, mutual funds and similar vehicles	<u>3,007,863</u>	<u>894,650</u>	<u>-</u>	<u>3,902,513</u>
	<u>\$ 31,777,726</u>	<u>\$ 1,312,631</u>	<u>\$ 384,445</u>	<u>\$ 33,474,802</u>

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As of year end, the City had the following investments:

Investment	Carrying Value	Maturities	Rating	Rating Organization
MERS Retiree Health Funding Vehicle	\$ 894,650	N/A	N/A	N/A
MI CLASS	3,007,863	75 days	AAAm	S&P Global
	<u>\$ 3,902,513</u>			

Interest rate risk – In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the maturities of its investments to less than 60 months.

Credit risk – State statutes and the City’s investment policy authorize the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Concentration of credit risk – The City does not allow for an investment in any one issuer that is in excess of ten percent of the City’s total investments.

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the City’s deposits may not be returned to it. The City does not have a policy for custodial credit risk. As of year end, \$26,988,031 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investments in MI CLASS and the MERS RHFV were both uninsured and uncollateralized.

Note 4 - Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Investments in Entities That Calculate Net Asset Value Per Share

The City holds share or interests in investment companies whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

The City had total investments valued with MERS Retiree Health Funding Vehicle in the Total Market Fund in the amount of \$894,650. This Fund is a fully diversified portfolio combining traditional stocks and bonds with alternative asset classes, including real estate, private equity and commodities and is carried at net asset value. The objective is to provide current income and capital appreciation while minimizing the volatility of the capital markets. MERS manages the asset allocation and monitors the underlying investment managers. There is no redemption period and no unfunded commitments.

At year end, the net asset value of the City's investment in Michigan CLASS was \$3,007,863. The investment pool had no unfunded commitments, specific redemption frequency or redemption notice period required. The Michigan CLASS investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S.

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government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities and other public agencies. It has a rating of AAAM from Standard and Poor's with a weighted average maturity of 75 days.

Note 5 - Capital Assets

Capital assets activity of the primary government for the current year is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 4,938,136	\$ -	\$ -	\$ 4,938,136
Construction-in-progress	-	165,045	-	165,045
Total capital assets not being depreciated	<u>4,938,136</u>	<u>165,045</u>	<u>-</u>	<u>5,103,181</u>
Capital assets being depreciated				
Land improvements	1,826,103	186,503	-	2,012,606
Buildings, additions and improvements	7,313,203	43,590	-	7,356,793
Country road improvements	1,334,975	-	-	1,334,975
Machinery and equipment	938,834	68,407	-	1,007,241
Furniture and fixtures	218,982	-	-	218,982
Roads and sidewalks	91,152,875	-	-	91,152,875
Vehicles	3,396,837	261,954	-	3,658,791
Total capital assets being depreciated	<u>106,181,809</u>	<u>560,454</u>	<u>-</u>	<u>106,742,263</u>
Less accumulated depreciation for				
Land improvements	453,606	108,999	-	562,605
Buildings, additions and improvements	4,442,746	428,976	-	4,871,722
Country road improvements	504,625	77,356	-	581,981
Machinery and equipment	793,553	34,477	-	828,030
Furniture and fixtures	218,982	-	-	218,982
Roads and sidewalks	83,125,682	630,881	-	83,756,563
Vehicles	2,738,146	145,924	-	2,884,070
Total accumulated depreciation	<u>92,277,340</u>	<u>1,426,613</u>	<u>-</u>	<u>93,703,953</u>
Net capital assets being depreciated	<u>13,904,469</u>	<u>(866,159)</u>	<u>-</u>	<u>13,038,310</u>
Governmental activities capital assets, net	<u>\$ 18,842,605</u>	<u>\$ (701,114)</u>	<u>\$ -</u>	<u>\$ 18,141,491</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 837,043	\$ -	\$ -	\$ 837,043
Construction-in-progress	-	93,551	-	93,551
Total capital assets not being depreciated	<u>837,043</u>	<u>93,551</u>	<u>-</u>	<u>930,594</u>
Capital assets being depreciated				
Buildings, additions and improvements	4,286,116	-	-	4,286,116
Machinery and equipment	89,580	-	-	89,580
Water and sewer system	54,265,734	151,155	-	54,416,889
Furniture and fixtures	13,782	-	-	13,782
Total capital assets being depreciated	<u>58,655,212</u>	<u>151,155</u>	<u>-</u>	<u>58,806,367</u>
Less accumulated depreciation for				
Buildings, additions and improvements	2,378,968	95,324	-	2,474,292
Machinery and equipment	22,501	2,917	-	25,418
Water and sewer system	21,967,808	1,674,009	-	23,641,817
Furniture and fixtures	8,269	1,378	-	9,647
Total accumulated depreciation	<u>24,377,546</u>	<u>1,773,628</u>	<u>-</u>	<u>26,151,174</u>
Net capital assets being depreciated	<u>34,277,666</u>	<u>(1,622,473)</u>	<u>-</u>	<u>32,655,193</u>
Business-type capital assets, net	<u>\$ 35,114,709</u>	<u>\$ (1,528,922)</u>	<u>\$ -</u>	<u>\$ 33,585,787</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	\$ 310,239
Public safety	215,818
Public works	647,455
Recreation and culture	175,352
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>77,749</u>
Total governmental activities	<u>1,426,613</u>
Business-type activities	
Water and Sewer	1,678,304
Senior Housing	<u>95,324</u>
Total business-type activities	<u>1,773,628</u>
Total primary government	<u>\$ 3,200,241</u>

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Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Internal service funds	\$ 104,898
Nonmajor governmental funds	General fund	694
Nonmajor governmental funds	Nonmajor governmental funds	8,587
		<u>\$ 114,179</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The details for interfund transfers are as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 2,983,500</u>

A transfer was made from the General fund to the Capital projects fund for funding specific projects.

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Note 7 - Long-Term Debt

The City issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Installment purchase agreements are also general obligations of the City. Other long-term obligations include compensated absences. Compensated absences are typically liquidated with funds from the general fund, and water and sewer fund. Long-term obligation activity is summarized as follows:

	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities								
Installment purchase agreements				\$ 59,746	\$ -	\$ 27,603	\$ 32,143	\$ 15,768
Compensated absences				964,179	599,754	674,145	889,788	670,027
Claims payable				72,506	965,545	947,918	90,133	-
Total governmental activities				<u>\$ 1,096,431</u>	<u>\$ 1,565,299</u>	<u>\$ 1,649,666</u>	<u>\$ 1,012,064</u>	<u>\$ 685,795</u>

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	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities								
Bonds and notes payable								
General obligation bonds								
2012A LMTD GO Refunding	7/1/2022	2.000%	\$165,000	\$ 305,000	\$ -	\$ 140,000	\$ 165,000	\$ 165,000
Direct borrowings								
2009 Clean Water SRF	7/1/2029	2.500%	\$390,000 - \$460,000	3,785,000	-	380,000	3,405,000	390,000
2020 Drinking Water Revolving Fund SRF	10/1/2040	2.00%	\$59,149 - \$245,000	3,370,207	-	91,058	3,279,149	185,000
2016 CW Capital Improv (SRF-NFB) Max \$3.23M (5629-01)	6/30/2038	2.500%	\$115,000 - \$169,506	2,389,506	-	115,000	2,274,506	115,000
2010 North Gratiot Drainage District	10/1/2035	5.500% - 6.350%	\$1,375 - \$2,046	23,230	-	1,333	21,897	1,375
2010A OMID Drainage District	3/1/2031	4.51%	\$31,141 - \$37,999	340,692	-	30,327	310,365	31,141
2011 OMID Drainage District Seg 2	9/1/2033	2.500%	\$34,666 - \$45,509	513,148	-	33,953	479,195	34,666
2011 MID Drainage District - Clintondale	4/1/2031	5.000%	\$52,091 - \$84,563	925,064	-	327,037	598,027	52,091
2013A OMID Drainage District Seg 3	10/1/2035	2.440%	\$75,157 - \$95,287	1,176,885	-	73,693	1,103,192	75,157
2014A OMID Drainage District	10/1/2034	2.000% - 3.125%	\$10,600 - \$15,257	175,386	-	10,279	165,107	10,600
2015 North Gratiot Interceptor Refunding (2008)	5/1/2033	4.513%	\$16,633 - \$19,805	217,426	-	16,719	200,707	16,633
2015A OMID Drainage District (SAW) Seg4	4/1/2036	2.500%	\$21,081 - \$29,296	369,331	-	20,533	348,798	21,081
2017A MID Refunding (2010A MID LTO)	5/1/2035	3.939%	\$117,973 - \$210,345	2,195,601	-	112,261	2,083,340	117,973
2017A MID (15 Mile Sinkhole)	5/1/2042	4.208%	\$68,797 - \$167,260	2,304,191	-	65,642	2,238,549	68,797
2019B OMID Drainage District Refunding of 2010B	4/1/2030	2.324%	\$8,831 - \$11,619	90,167	-	8,482	81,685	8,831
2020A OMID Drainage District	7/1/2040	2.000% - 5.000%	\$51,547 - \$141,752	1,985,609	-	49,251	1,936,358	51,547
2019 OMID District	7/1/2026	.000%	\$30,097 - \$31,321	188,070	-	64,414	123,656	30,097
2015A MID CWRP Project 5624-01 (SRF)	11/1/2036	4.435%	\$4,061 - \$9,314	94,100	-	7,098	87,002	7,318
Total direct borrowings				20,143,613	-	1,407,080	18,736,533	1,217,307
Installment purchase agreements								
Sewer vacuum equipment				45,000	-	45,000	-	-
Water meters				274,449	-	66,010	208,439	67,715
Total installment purchase agreements				319,449	-	111,010	208,439	67,715
Compensated absences								
				15,102	22,547	19,843	17,806	15,102
Total business-type activities				\$ 20,783,164	\$ 22,547	\$ 1,677,933	\$ 19,127,778	\$ 1,465,124

City of Fraser
Notes to the Financial Statements
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Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending June 30,	Business-type Activities			
	Bonds		Notes from Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2023	\$ 165,000	\$ 1,650	\$ 1,217,307	\$ 569,361
2024	-	-	1,258,033	532,788
2025	-	-	1,298,849	494,665
2026	-	-	1,365,098	455,179
2027	-	-	1,370,633	413,110
2028	-	-	6,443,494	1,411,441
2029	-	-	4,376,565	555,169
2030	-	-	1,406,554	137,852
	<u>\$ 165,000</u>	<u>\$ 1,650</u>	<u>\$ 18,736,533</u>	<u>\$ 4,569,565</u>

Annual debt service requirements to maturity for the above installment purchase obligations are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 15,768	\$ 1,238	\$ 67,715	\$ 4,347
2024	16,375	630	69,465	2,639
2025	-	-	71,259	887
	<u>\$ 32,143</u>	<u>\$ 1,868</u>	<u>\$ 208,439</u>	<u>\$ 7,873</u>

Note 8 - Net Investment in Capital Assets

The composition of net investment in capital assets as of June 30, 2022, was as follows:

	Governmental Activities	Business-type Activities	Component Unit
Capital assets			
Capital assets not being depreciated	\$ 5,103,181	\$ 930,594	\$ -
Capital assets, net of accumulated depreciation	13,038,310	32,655,193	140,005
Total capital assets	<u>18,141,491</u>	<u>33,585,787</u>	<u>140,005</u>
Related debt			
General obligation bonds	-	(165,000)	-
Installment purchase agreements	(32,143)	(208,439)	-
Notes from direct borrowing	-	(18,736,533)	-
Total related debt	<u>(32,143)</u>	<u>(19,109,972)</u>	<u>-</u>
Net investment in capital assets	<u>\$ 18,109,348</u>	<u>\$ 14,475,815</u>	<u>\$ 140,005</u>

Note 9 - Employee Retirement and Benefit Systems

Defined contribution pension plan

The City provides three defined contribution pension plans, which provide retirement benefits to qualified employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The City and participants contribute a percentage of participant's salary to the plans. City contributions to the plan at 8.00% of salary and participant contributions are optional. City contributions for the fiscal year 2022 were \$340,077 and participant contributions were \$138,464. The plans' provisions and contribution amounts were established by the City Council and may be amended by the Council. The plans are administered along with the defined benefit pension plans, through Hartford and ICMA.

Defined benefit pension plan

Plan description – The City participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer, statewide public employee defined benefit pension plan that covers all employees of the City. The plan was established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-

City of Fraser
Notes to the Financial Statements
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member Retirement Board. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917 or on the web at <http://www.mersofmich.com>.

Benefits provided – Benefits provided include plans with multipliers ranging from 1% to 2.75%. Vesting periods range from 6 to 10 years. Normal retirement age is 60 with early retirement at 50 with 25 years of service or 55 with 10 years of service. Final average compensation is calculated based on a range of 3 to 5 years. Member contributions range from 3 to 7%.

Employees covered by benefit terms – At the December 31, 2021 valuation date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	121
Inactive employees entitled to, but not yet receiving benefits	33
Active employees	<u>52</u>
	<u>206</u>

Contributions – The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. Employer contributions range from 3.18% to 1,040.96% based on annual payroll for open divisions. Closed divisions to new employees have an annual employer contribution amount of ranging from \$0 - \$59,716.

Net pension liability – The employer’s net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions – The total pension liability in the December 31, 2021 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement include: 1) Inflation 2.5%; 2) Salary increases 3.75% in the long-term; 3) Investment rate of return of 7.35%, net of investment expense, including inflation.

The mortality table used to project the mortality experience of nondisabled plan members is a 50% Male - 50% Female blend of the following tables: 1. the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%, 2. the RP-2014 Employee Mortality Tables, and 3. the RP-2014 Juvenile Mortality Tables. The mortality tables used to project the mortality experience of disabled plan members is a 50% Male - 50% Female blend of the RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates or arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Target Allocation Gross Rate Of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-term Expected Real Rate of Return
Global equity	60.00%	7.75%	4.65%	2.50%	3.15%
Global fixed income	20.00%	3.75%	0.75%	2.50%	0.25%
Private investments	<u>20.00%</u>	9.75%	<u>1.95%</u>	2.50%	<u>1.45%</u>
	<u>100.00%</u>		<u>7.35%</u>		<u>4.85%</u>

Discount rate – The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the

City of Fraser
Notes to the Financial Statements
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discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plans fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

Total Pension Liability

Service cost	\$ 549,831
Interest on the total pension liability	4,821,299
Experience differences	(404,288)
Change in actuarial assumptions	2,448,343
Benefit payments and refunds	<u>(4,410,705)</u>
Net change in total pension liability	3,004,480
Total pension liability - beginning	<u>65,368,585</u>
Total pension liability - ending (a)	<u>\$ 68,373,065</u>

Plan Fiduciary Net Position

Employer contributions	\$ 3,053,519
Employee contributions	308,541
Pension plan net investment income	5,364,792
Benefit payments and refunds	(4,410,705)
Pension plan administrative expense	<u>(58,212)</u>
Net change in plan fiduciary net position	4,257,935
Plan fiduciary net position - beginning	<u>36,409,603</u>
Plan fiduciary net position - ending (b)	<u>\$ 40,667,538</u>

Net pension liability (a-b) \$ 27,705,527

Plan fiduciary net position as a percentage of total pension liability	59.48%
Covered employee payroll	\$ 4,169,124
Net pension liability as a percentage of covered employee payroll	664.54%

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer’s net pension liability would be using a discount rate that is 1% point lower (6.25%) or 1% higher (8.25%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Total pension liability	\$ 76,316,667	\$ 68,373,065	\$ 61,763,797
Fiduciary net position	<u>40,667,538</u>	<u>40,667,538</u>	<u>40,667,538</u>
Net pension liability	<u>\$ 35,649,129</u>	<u>\$ 27,705,527</u>	<u>\$ 21,096,259</u>

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – For the year ended June 30, 2022 the employer recognized pension expense of \$3,110,326. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total to Amortize
Differences in experience	\$ 233,422	\$ (269,525)	\$ (36,103)
Differences in assumptions	2,063,503	-	2,063,503
Net difference between projected and actual earning on plan investments	-	(3,131,664)	(3,131,664)
Contributions subsequent to the measurement date*	<u>1,506,278</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,803,203</u>	<u>\$ (3,401,189)</u>	<u>\$ (1,104,264)</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending 2023.

City of Fraser
Notes to the Financial Statements
June 30, 2022

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	
2023	\$ 864,056
2024	(539,549)
2025	(883,758)
2026	(545,013)
	<u>\$ (1,104,264)</u>

Note 10 - Other Postemployment Benefits

Plan description – The City provides retiree healthcare benefits through the City of Fraser’s retiree healthcare plan (The “Plan”) to eligible employees and their spouses. The benefits are provided under collective bargaining agreements. The plan does not issue a publicly available financial report. The plan is a single-employer defined benefit plan administered by the city.

Benefits provided – The Plan provides healthcare benefits for retirees and their dependents.

Employees covered by benefit terms – At June 30, 2021, the plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	100
Inactive employees entitled to, but not yet receiving benefits	14
Active employees	<u>26</u>
	<u>140</u>

The plan is closed to new employees.

Contributions – The City Council establishes rates based on an actuarially determined rate. For the year ended June 30, 2022, the City’s average contribution rate was 42.70 percent of covered-employee payroll. Plan members are not required to contribute to the plan.

Investment policy – The Plans policy in regards to the allocation of invested assets is established and may be amended by the City Council. It is the policy of the City Council to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plans investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

Rate of return – For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was -9.33%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

Net OPEB liability – The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The components of the net OPEB liability as of June 30, 2022 were as follows:

Total OPEB liability	\$ 29,121,211
Plan fiduciary net position	<u>(894,947)</u>
Net OPEB liability	<u>\$ 28,226,264</u>

Plan fiduciary net position as a percentage of the total OPEB liability is 3.07%.

City of Fraser
Notes to the Financial Statements
June 30, 2022

Actuarial assumptions – The total OPEB liability was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.50%
Salary increases	3.00%
Investment rate of return	6.50%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Initial trend starting at 8.25% and gradually decreasing to an ultimate trend rate of 3.50%

Mortality rates were based on the Pub-2010 mortality tables with future mortality improvement projected generationally using scale MP-2019.

The actuarial assumptions used in the June 30, 2011 valuation were based on the results of an actuarial experience study for the period January 1, 2014 to December 31, 2018.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discount rate – The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Total OPEB Liability

Service cost	\$ 182,672
Interest	2,424,036
Differences between expected and actual experience	(11,074,486)
Changes in assumptions	847,379
Benefit payments	<u>(919,838)</u>
Net change in total OPEB liability	(8,540,237)
Total OPEB liability - beginning	<u>37,661,448</u>
Total OPEB liability - ending (a)	<u>\$ 29,121,211</u>

Plan Fiduciary Net Position

Employer contributions	\$ 1,126,838
Net investment income	(86,364)
Benefit payments	<u>(919,838)</u>
Net change in plan fiduciary net position	120,636
Plan fiduciary net position - beginning	<u>774,311</u>
Plan fiduciary net position - ending (b)	<u>\$ 894,947</u>

Net OPEB liability (a-b)	\$ 28,226,264
Plan fiduciary net position as a % of TOL	3.07%
Covered payroll	2,639,067
Net OPEB liability as a % of covered payroll	1069.6%

Sensitivity of the net OPEB liability to changes in the discount rate – The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower (5.5%) or 1% higher (7.5%) than the current discount rate.

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB liability	<u>\$ 31,709,543</u>	<u>\$ 28,226,264</u>	<u>\$ 25,335,573</u>

City of Fraser
Notes to the Financial Statements
June 30, 2022

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates – The following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if were calculated using healthcare cost trend rates that are 1% lower (6.50%) or 1% higher (8.50%) than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB liability	\$ 25,139,942	\$ 28,226,264	\$ 31,952,144

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB – For the year ended June 30, 2022 the employer recognized OPEB expense of (\$6,503,946). The employer reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total to Amortize
Differences in experience	\$ -	\$ (2,031,875)	\$ (2,031,875)
Differences in assumptions	155,472	-	155,472
Net difference between projected and actual earning on plan investments	53,826	-	53,826
Total	\$ 209,298	\$ (2,031,875)	\$ (1,822,577)

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2023	\$ (1,867,372)
2024	8,967
2025	7,142
2026	28,686
	\$ (1,822,577)

Note 11 - Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2022, the government carried insurance through various commercial carriers, including the Michigan Municipal League, to cover all risks of losses. The government has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

The City is self-insured through Blue Cross Blue Shield of Michigan. The charges in the claims liability for the fiscal years ended June 30, 2022 and 2021 are as follows:

	Beginning of year balance	Current year claims & changes in estimates	Claim payments	End of year balance
2021	\$ -	\$ 942,581	\$ 870,075	\$ 72,506
2022	72,506	965,545	947,918	90,133

City of Fraser
Notes to the Financial Statements
June 30, 2022

Note 12 - Tax Abatements

Industrial property tax abatements are granted in the State of Michigan under Public Act 198, as amended, to promote economic development, creation of jobs, and new or improvement facilities. The industrial facilities tax (IFT) exemption must be approved by both the local unit (after a public hearing is held) and the State of Michigan. IFT exemptions can cover real and/or personal property. By State law, the exemption must be applied for no later than six months after commencement of the project and must be accompanied by a written agreement between the taxpayer and the local unit. An exemption allows for taxation on IFT property at 50% of the local property tax millage rate for a period of 1 to 12 years. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. For the year ended June 30, 2022, the City's property taxes were reduced by \$83,873 under this program.

City of Fraser
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Taxes				
Property taxes	\$ 9,481,244	\$ 9,481,244	\$ 9,495,627	\$ 14,383
Other taxes	1,983,893	1,869,887	1,577,503	(292,384)
Penalties and interest	11,000	11,000	19,804	8,804
Licenses and permits	702,250	702,250	602,935	(99,315)
Federal grants	-	-	231,712	231,712
State-shared revenue	1,533,623	1,533,623	1,759,064	225,441
State grants	747,156	747,156	1,604,987	857,831
Local contributions	52,720	52,720	173,794	121,074
Charges for services	1,065,561	1,065,561	313,136	(752,425)
Fines and forfeitures	355,000	355,000	383,210	28,210
Interest income	20,600	20,600	10,020	(10,580)
Other revenue	57,000	57,000	152,391	95,391
Transfers in	166,622	166,622	-	(166,622)
Total revenues	<u>16,176,669</u>	<u>16,062,663</u>	<u>16,324,183</u>	<u>261,520</u>

City of Fraser
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Expenditures				
General government				
City council	\$ 80,614	\$ 82,396	\$ 69,457	\$ (12,939)
Administration, manager and supervisor	212,549	261,872	197,958	(63,914)
Clerk	253,420	291,443	179,770	(111,673)
Budget Director	500,533	594,807	428,170	(166,637)
Assessor	127,938	137,846	134,583	(3,263)
Information technology	414,736	528,505	320,931	(207,574)
Buildings and grounds	372,572	401,593	274,935	(126,658)
Attorney	160,000	165,000	149,610	(15,390)
Total general government	<u>2,122,362</u>	<u>2,463,462</u>	<u>1,755,414</u>	<u>(708,048)</u>
Judicial	<u>653,230</u>	<u>666,230</u>	<u>634,431</u>	<u>(31,799)</u>
Public safety				
Police	6,618,915	6,945,187	6,364,879	(580,308)
Dispatch	303,672	303,672	297,000	(6,672)
Civil defense	-	-	1,049	1,049
Total public safety	<u>6,922,587</u>	<u>7,248,859</u>	<u>6,662,928</u>	<u>(585,931)</u>

City of Fraser
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Public works				
Department of public works	\$ 1,116,325	\$ 1,454,462	\$ 1,063,524	\$ (390,938)
Street lighting	217,514	217,514	243,634	26,120
Senior housing	163,500	181,950	28,339	(153,611)
Refuse collection	976,447	976,447	840,085	(136,362)
Total public works	<u>2,473,786</u>	<u>2,830,373</u>	<u>2,175,582</u>	<u>(654,791)</u>
Health and welfare				
Agency on aging	<u>195,382</u>	<u>195,382</u>	<u>60,900</u>	<u>(134,482)</u>
Community and economic development				
Planning	104,018	104,018	80,284	(23,734)
Building	443,799	486,881	337,431	(149,450)
Zoning	<u>25,015</u>	<u>25,015</u>	<u>822</u>	<u>(24,193)</u>
Total community and economic development	<u>572,832</u>	<u>615,914</u>	<u>418,537</u>	<u>(197,377)</u>
Recreation and culture				
Parks and recreation	144,000	144,000	104,356	(39,644)
Parks maintenance	188,740	823,938	201,676	(622,262)
Historical commission	<u>6,598</u>	<u>11,098</u>	<u>39,031</u>	<u>27,933</u>
Total recreation and culture	<u>339,338</u>	<u>979,036</u>	<u>345,063</u>	<u>(633,973)</u>

City of Fraser
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Other functions				
Insurance and bonds	\$ 3,593,151	\$ 3,638,227	\$ 2,859,375	\$ (778,852)
Transfers out	2,983,500	2,983,500	2,983,500	-
Total expenditures	19,856,168	21,620,983	17,895,730	(3,725,253)
Excess (deficiency) of revenues over expenditures	(3,679,499)	(5,558,320)	(1,571,547)	3,986,773
Fund balance - beginning of year	11,344,966	11,344,966	11,344,966	-
Fund balance - end of year	<u>\$ 7,665,467</u>	<u>\$ 5,786,646</u>	<u>\$ 9,773,419</u>	<u>\$ 3,986,773</u>

City of Fraser
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Changes in Net Pension Liability and Related Ratios
June 30, 2022

Fiscal year ended June 30,	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service cost	\$ 549,831	\$ 685,288	\$ 711,380	\$ 697,426	\$ 881,648	\$ 894,748	\$ 859,087	\$ 896,348
Interest on the total pension liability	4,821,299	4,597,978	4,697,613	4,536,139	4,509,170	4,163,696	3,768,012	3,636,330
Experience differences	(404,288)	700,268	(1,682,139)	-	(829,041)	2,371,775	1,095,026	-
Changes in actuarial assumptions	2,448,343	1,293,824	2,129,951	-	-	-	2,184,098	-
Other changes	-	-	-	702,477	(380,513)	488,772	2,149,753	-
Benefit payments and refunds	(4,410,705)	(4,131,673)	(3,996,805)	(3,852,343)	(3,651,748)	(3,536,304)	(3,869,714)	(1,961,048)
Net change in total pension liability	3,004,480	3,145,685	1,860,000	2,083,699	529,516	4,382,687	6,186,262	2,571,630
Total pension liability - beginning	65,368,585	62,222,900	60,362,900	58,279,201	57,749,685	53,366,998	47,180,736	44,609,106
Total pension liability - ending (a)	<u>\$ 68,373,065</u>	<u>\$ 65,368,585</u>	<u>\$ 62,222,900</u>	<u>\$ 60,362,900</u>	<u>\$ 58,279,201</u>	<u>\$ 57,749,685</u>	<u>\$ 53,366,998</u>	<u>\$ 47,180,736</u>
Plan Fiduciary Net Position								
Employer contributions	\$ 3,053,519	\$ 2,655,927	\$ 3,876,884	\$ 2,540,557	\$ 2,153,010	\$ 2,039,477	\$ 3,407,010	\$ 878,683
Employee contributions	308,541	333,101	331,977	403,449	508,697	349,173	744,496	149,899
Pension plan net investment income (loss)	5,364,792	4,188,487	4,031,897	(1,217,883)	3,750,994	2,981,535	(425,297)	348,982
Benefit payments and refunds	(4,410,705)	(4,131,673)	(3,996,805)	(3,852,343)	(3,651,748)	(3,536,304)	(3,869,714)	(1,961,048)
Pension plan administrative expense	(58,212)	(66,662)	(69,640)	(60,527)	(59,395)	(58,818)	(60,463)	(19,181)
Net change in plan fiduciary net position	4,257,935	2,979,180	4,174,313	(2,186,747)	2,701,558	1,775,063	(203,968)	(602,665)
Plan fiduciary net position - beginning	36,409,603	33,430,423	29,256,110	31,442,857	28,741,299	26,966,236	27,170,204	27,772,869
Plan fiduciary net position - ending (b)	<u>\$ 40,667,538</u>	<u>\$ 36,409,603</u>	<u>\$ 33,430,423</u>	<u>\$ 29,256,110</u>	<u>\$ 31,442,857</u>	<u>\$ 28,741,299</u>	<u>\$ 26,966,236</u>	<u>\$ 27,170,204</u>
Net pension liability (a-b)	<u>\$ 27,705,527</u>	<u>\$ 28,958,982</u>	<u>\$ 28,792,477</u>	<u>\$ 31,106,790</u>	<u>\$ 26,836,344</u>	<u>\$ 29,008,386</u>	<u>\$ 26,400,762</u>	<u>\$ 20,010,532</u>
Plan fiduciary net position as a percentage of total pension liability	59.48%	55.70%	53.73%	48.47%	53.95%	49.77%	50.53%	57.59%
Covered payroll	\$ 4,169,124	\$ 4,360,370	\$ 4,347,825	\$ 4,132,846	\$ 4,892,530	\$ 5,053,190	\$ 4,824,059	\$ 5,019,636
Net pension liability as a percentage of covered payroll	664.54%	664.14%	662.23%	752.67%	548.52%	574.06%	547.27%	398.65%

Note: GASB Statement No. 68 was implemented for the fiscal year ended June 30, 2015 and does not require retroactive implementation.
Data will be added as information is available until 10 years of such data is available.

City of Fraser
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Employer Contributions
June 30, 2022

Fiscal Year Ended	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
6/30/2015	\$ 2,383,976	\$ 1,633,298	\$ 750,678	\$ 5,019,636	32.54%
6/30/2016	2,010,203	2,414,393	(404,190)	4,952,333	48.75%
6/30/2017	2,140,225	2,486,713	(346,488)	5,478,174	45.39%
6/30/2018	1,313,472	2,041,503	(728,031)	4,892,530	41.73%
6/30/2019	1,982,549	3,355,545	(1,372,996)	4,194,839	79.99%
6/30/2020	2,569,561	3,369,561	(800,000)	4,689,309	71.86%
6/30/2021	2,696,096	2,696,096	-	4,287,150	62.89%
6/30/2022	3,013,246	3,213,246	(200,000)	5,426,273	59.22%

Notes: Actuarially determined contribution amounts are calculated as of December 31 each year, which is 6 months prior to the beginning of the fiscal year in which contributions are reported. The actuarially determined contribution (ADC) included in this schedule is calculated as the normal cost payment plus the amortized portion of the unfunded actuarial accrued liability.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of pay, open
Remaining amortization period	18 Years
Asset valuation method	5-year smoothed
Inflation	2.50%
Salary increases	3.00%, long-term
Investment rate of return	7.35%, net of investment expense, including inflation
Retirement age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	Rates used were based on the RP-2014 Group Annuity Mortality Table of 50% male and 50% female blend

City of Fraser
Required Supplementary Information
Other Postemployment Benefits
Schedule of Changes in Net OPEB Liability and Related Ratios
June 30, 2022

Fiscal year ended June 30,	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 182,672	\$ 309,743	\$ 468,955	\$ 958,738	\$ 972,690
Interest	2,424,036	2,370,660	2,354,655	1,922,925	1,866,367
Differences between expected and actual experience	(11,074,486)	(743,303)	(6,623,843)	(313,732)	(247,781)
Changes in assumptions	847,379	-	591,046	(13,158,589)	(460,659)
Benefit payments	(919,838)	(1,184,959)	(1,195,101)	(1,471,728)	(1,388,659)
Net change in total OPEB liability	(8,540,237)	752,141	(4,404,288)	(12,062,386)	741,958
Total OPEB liability - beginning	37,661,448	36,909,307	41,313,595	53,375,981	52,634,023
Total OPEB liability - ending (a)	<u>\$ 29,121,211</u>	<u>\$ 37,661,448</u>	<u>\$ 36,909,307</u>	<u>\$ 41,313,595</u>	<u>\$ 53,375,981</u>
Plan Fiduciary Net Position					
Employer contributions	\$ 1,126,838	\$ 1,391,959	\$ 1,402,101	\$ 1,678,728	\$ 1,388,659
Net investment income (loss)	(86,364)	142,070	8,899	3,412	-
Benefit payments and refunds	(919,838)	(1,184,959)	(1,195,101)	(1,471,728)	(1,388,659)
Administrative expense	-	-	(754)	(316)	-
Net change in plan fiduciary net position	120,636	349,070	215,145	210,096	-
Plan fiduciary net position - beginning	774,311	425,241	210,096	-	-
Plan fiduciary net position - ending (b)	<u>\$ 894,947</u>	<u>\$ 774,311</u>	<u>\$ 425,241</u>	<u>\$ 210,096</u>	<u>\$ -</u>
Net OPEB liability (a-b)	<u>\$ 28,226,264</u>	<u>\$ 36,887,137</u>	<u>\$ 36,484,066</u>	<u>\$ 41,103,499</u>	<u>\$ 53,375,981</u>
Plan fiduciary net position as a percentage of total OPEB liability	3.07%	2.06%	1.15%	0.51%	-
Covered payroll	\$ 2,639,067	\$ 2,938,650	\$ 3,019,935	\$ 3,772,187	\$ 4,416,566
Net OPEB liability as a percentage of covered payroll	1,069.55%	1,255.24%	1,208.11%	1,089.65%	1,208.54%

Note: GASB Statement No. 74 was implemented for the fiscal year ended June 30, 2017 and GASB Statement No. 75 was implemented for the fiscal year ended June 30, 2018 and does not require retroactive implementation.

Data will be added as information is available until 10 years of such data is available

City of Fraser
Required Supplementary Information
Other Postemployment Benefits
Schedule of Employer Contributions
June 30, 2022

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2018	\$ 3,597,282	\$ 1,388,659	\$ 2,208,623	\$ 4,416,566	31.44%
2019	3,601,371	1,678,728	1,922,643	3,772,187	44.50%
2020	4,345,400	1,402,101	2,943,299	3,019,335	46.44%
2021	4,345,413	1,391,959	2,953,454	2,938,650	47.37%
2022	4,269,289	1,126,838	3,142,451	2,639,067	42.70%

Notes to Schedule of Contributions

Valuation date: June 30, 2021

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar amortization method, closed
Remaining amortization period	17 years
Asset valuation method	Market value of assets
Inflation	2.50%
Salary increases	3.00% to 9.70%, including inflation
Investment rate of return	6.50%, net of OPEB plan investment expense, including inflation
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	Healthy Pre-Retirement Mortality: Sex distinct Pub-2010 General Employees table without adjustment Healthy Post-Retirement Mortality: Sex distinct Pub-2010 General Health Retiree tables scaled by a factor of 106%
	Disability Retirement Mortality: Sex distinct PubNS-2010 Disabled tables without adjustment
Health care trend rates	Initial trend starting at 8.25% and gradually decreasing to an ultimate trend rate of 3.50%
Aging factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"

City of Fraser
Required Supplementary Information
Other Postemployment Benefits
Schedule of Investment Returns

Fiscal Year Ended June 30,	Annual Return % *
2017	N/A
2018	N/A
2019	N/A
2020	N/A
2021	24.76%
2022	-9.33%

* Annual money-weighted rate of return, net of investment expenses

GASB Statement No. 74 was implemented for the fiscal year ended June 30, 2017 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

City of Fraser
Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022

	Special Revenue Funds					Debt Service Fund		Capital Projects Funds	Total Nonmajor Governmental Funds	
	Major Streets	Local Streets	Ambulance	Drug Forfeiture	Gambling Forfeiture	District Court Operations Fund	General Debt Service	Debt Service 2015 Street Bond Fund		Capital Projects Fund
Assets										
Cash and cash equivalents	\$ 2,143,380	\$ 797,132	\$ 1,657,110	\$ 587,610	\$ 972,787	\$ 1,086,401	\$ 360	\$ 352,915	\$ 2,363,162	\$ 9,960,857
Receivables	-	-	1,230	-	-	-	-	-	-	1,230
Due from other units of government	332,798	143,094	9,374	-	-	-	-	-	-	485,266
Due from other funds	-	-	-	-	-	9,281	-	-	-	9,281
Prepaid items	1,004	1,004	1,286	-	-	-	-	-	-	3,294
Total assets	\$ 2,477,182	\$ 941,230	\$ 1,669,000	\$ 587,610	\$ 972,787	\$ 1,095,682	\$ 360	\$ 352,915	\$ 2,363,162	\$ 10,459,928
Liabilities										
Accounts payable	\$ 80,058	\$ 1,810	\$ 1,928	\$ 17,320	\$ -	\$ 16,815	\$ 2	\$ -	\$ 58,859	\$ 176,792
Accrued and other liabilities	1,040	1,686	4,742	-	-	-	-	-	-	7,468
Due to other funds	-	-	8,587	-	-	-	-	-	-	8,587
Total liabilities	81,098	3,496	15,257	17,320	-	16,815	2	-	58,859	192,847
Deferred inflows of resources										
Deferred inflows of resources	332,798	143,094	-	-	-	-	-	-	-	475,892
Fund Balances										
Non-spendable										
Prepaid items	1,004	1,004	1,286	-	-	-	-	-	-	3,294
Restricted for										
Public works	2,062,282	793,636	-	-	-	-	-	-	-	2,855,918
Public safety	-	-	1,652,457	570,290	972,787	-	-	-	-	3,195,534
Judicial	-	-	-	-	-	1,078,867	-	-	-	1,078,867
Debt service	-	-	-	-	-	-	358	352,915	-	353,273
Capital projects	-	-	-	-	-	-	-	-	2,304,303	2,304,303
Total fund balances	2,063,286	794,640	1,653,743	570,290	972,787	1,078,867	358	352,915	2,304,303	9,791,189
Total liabilities, deferred inflows of resources and fund balances	\$ 2,477,182	\$ 941,230	\$ 1,669,000	\$ 587,610	\$ 972,787	\$ 1,095,682	\$ 360	\$ 352,915	\$ 2,363,162	\$ 10,459,928

City of Fraser
Other Supplementary Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	Special Revenue Funds					Debt Service Fund		Capital Projects Funds	Total Nonmajor Governmental Funds	
	Major Streets	Local Streets	Ambulance	Drug Forfeiture	Gambling Forfeiture	District Court Operations Fund	General Debt Service	Debt Service 2015 Street Bond Fund		Capital Projects Fund
Revenues										
Taxes	\$ -	\$ -	\$ 472,991	\$ -	\$ -	\$ -	\$ 358	\$ 91,217	\$ -	\$ 564,566
Other state grants	720,406	345,584	-	-	-	-	-	-	-	1,065,990
Local contributions	-	-	44,620	-	-	-	-	-	-	44,620
Charges for services	-	-	352,164	-	-	-	-	-	-	352,164
Fines and forfeitures	-	-	-	6,158	-	-	-	-	-	6,158
Interest income	-	-	-	-	1,103	12	-	-	-	1,115
Total revenues	<u>720,406</u>	<u>345,584</u>	<u>869,775</u>	<u>6,158</u>	<u>1,103</u>	<u>12</u>	<u>358</u>	<u>91,217</u>	<u>-</u>	<u>2,034,613</u>
Expenditures										
Current										
Public safety	-	-	536,083	21,806	-	-	-	-	-	557,889
Public works	561,097	565,722	-	-	-	-	-	-	-	1,126,819
Capital outlay	-	-	-	-	-	-	-	-	679,197	679,197
Total expenditures	<u>561,097</u>	<u>565,722</u>	<u>536,083</u>	<u>21,806</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>679,197</u>	<u>2,363,905</u>
Excess (deficiency) of revenues over expenditures	159,309	(220,138)	333,692	(15,648)	1,103	12	358	91,217	(679,197)	(329,292)
Other financing sources (uses)										
Transfers in	-	-	-	-	-	-	-	-	2,983,500	2,983,500
Net change in fund balance	<u>159,309</u>	<u>(220,138)</u>	<u>333,692</u>	<u>(15,648)</u>	<u>1,103</u>	<u>12</u>	<u>358</u>	<u>91,217</u>	<u>2,304,303</u>	<u>2,654,208</u>
Fund balance - beginning of year	1,903,977	1,014,778	1,320,051	585,938	971,684	1,078,855	-	261,698	-	7,136,981
Fund balance - end of year	<u>\$ 2,063,286</u>	<u>\$ 794,640</u>	<u>\$ 1,653,743</u>	<u>\$ 570,290</u>	<u>\$ 972,787</u>	<u>\$ 1,078,867</u>	<u>\$ 358</u>	<u>\$ 352,915</u>	<u>\$ 2,304,303</u>	<u>\$ 9,791,189</u>

City of Fraser
Other Supplementary Information
Fiduciary Funds
Combining Statement of Fiduciary Net Position
June 30, 2022

	Custodial Funds		Total
	Tax Fund	District Court	
Assets			
Cash and cash equivalents	\$ 347,708	\$ 70,273	\$ 417,981
Liabilities			
Accrued and other liabilities	-	40,686	40,686
Due to other units of government	347,708	-	347,708
Total liabilities	347,708	40,686	388,394
Net Position			
Restricted for:			
Restricted for other governments	\$ -	\$ 31,147	\$ 31,147

City of Fraser
Other Supplementary Information
Fiduciary Funds
Combining Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2022

	Custodial Funds		
	Tax Fund	District Court	Total
Other additions			
Property tax collections for other governments	\$ 26,513,519	\$ -	\$ 26,513,519
Deductions			
Payments of property tax to other governments	26,513,519	-	26,513,519
Change in net position	-	-	-
Net position - beginning of year	-	31,147	31,147
Net position - end of year	\$ -	\$ 31,147	\$ 31,147

City of Fraser
Other Supplementary Information
Internal Service Funds
Combining Statement of Net Position
June 30, 2022

	Internal Service Funds		
	Self Insurance	Motor Pool	Total
Assets			
Current assets			
Cash and cash equivalents	\$ -	\$ 471,845	\$ 471,845
Prepaid items	-	1,039	1,039
Total current assets	-	472,884	472,884
Noncurrent assets			
Capital assets, net of accumulated depreciation	-	549,898	549,898
Total assets	-	1,022,782	1,022,782
Liabilities			
Current liabilities			
Accounts payable	12,670	4,100	16,770
Accrued and other liabilities	-	817	817
Due to other funds	104,898	-	104,898
Current portion of noncurrent liabilities	-	15,184	15,184
Total current liabilities	117,568	20,101	137,669
Noncurrent liabilities			
Claims payable	90,133	-	90,133
Long-term debt net of current portion	-	16,959	16,959
Total noncurrent liabilities	90,133	16,959	107,092
Total liabilities	207,701	37,060	244,761
Net Position			
Net investment in capital assets	549,898	-	549,898
Unrestricted (deficit)	(757,599)	985,722	228,123
Total net position	\$ (207,701)	\$ 985,722	\$ 778,021

City of Fraser
Other Supplementary Information
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2022

	Internal Service Funds		
	Self Insurance	Motor Pool	Total
Operating revenue			
Billings to other funds	\$ 514,600	\$ -	\$ 514,600
Other revenue	-	893	893
Total operating revenue	<u>514,600</u>	<u>893</u>	<u>515,493</u>
Operating expenses			
Personnel services	-	1,536	1,536
Supplies	-	118,314	118,314
Contractual services	-	132,645	132,645
Utilities	-	170,863	170,863
Claims paid	717,856	-	717,856
Depreciation	-	77,749	77,749
Total operating expenses	<u>717,856</u>	<u>501,107</u>	<u>1,218,963</u>
Operating income (loss)	<u>(203,256)</u>	<u>(500,214)</u>	<u>(703,470)</u>
Nonoperating revenue (expenses)			
Interest income	-	(30)	(30)
Interest expense	-	(2,182)	(2,182)
Total nonoperating revenues (expenses)	<u>-</u>	<u>(2,212)</u>	<u>(2,212)</u>
Change in net position	<u>(203,256)</u>	<u>(502,426)</u>	<u>(705,682)</u>
Net position - beginning of year	<u>(4,445)</u>	<u>1,488,148</u>	<u>1,483,703</u>
Net position - end of year	<u>\$ (207,701)</u>	<u>\$ 985,722</u>	<u>\$ 778,021</u>

City of Fraser
Other Supplementary Information
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2022

	Internal Service Funds		
	Self Insurance	Motor Pool	Total
Cash flows from operating activities			
Receipts from customers	\$ 514,600	\$ 893	\$ 515,493
Receipts from other funds	17,627	-	17,627
Payments to suppliers	(600,288)	(431,103)	(1,031,391)
Payments to employees	-	(1,536)	(1,536)
Net cash (used) by operating activities	(68,061)	(431,746)	(499,807)
Cash flows from capital and related financing activities			
Principal and interest paid on long-term debt	-	(17,367)	(17,367)
Cash flows from investing activities			
Interest received	-	(30)	(30)
Net (decrease) in cash and cash equivalents	(68,061)	(449,143)	(517,204)
Cash and cash equivalents - beginning of year	68,061	920,988	989,049
Cash and cash equivalents - end of year	\$ -	\$ 471,845	\$ 471,845

City of Fraser
Other Supplementary Information
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2022

	Internal Service Funds		
	<u>Self Insurance</u>	<u>Motor Pool</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash (used) by operating activities			
Operating (loss)	\$ (203,256)	\$ (500,214)	\$ (703,470)
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation and amortization expense	-	77,749	77,749
Changes in assets and liabilities			
Prepaid items	-	5,002	5,002
Accounts payable	-	(14,644)	(14,644)
Accrued and other liabilities	12,670	361	13,031
Due to other funds	17,627	-	17,627
	<u>17,627</u>	<u>-</u>	<u>17,627</u>
Net cash provided (used) by operating activities	<u>\$ (68,061)</u>	<u>\$ (431,746)</u>	<u>\$ (499,807)</u>